PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Re: Petition for approval of its Long-Term Infrastructure Improvement Plan of Equitable Gas Company	**Public Meeting: July 16, 2013** **2342745-TUS** **Docket P-2013-2342745**

JOINT DISSENTING STATEMENT OF COMMISSIONER CAWLEY AND COMMISSIONER GARDNER

Before the Commission for consideration are the Petitions for approval of the Long-Term Infrastructure Improvement Plan (LTIIP), and the Distribution System Improvement Charge (DSIC) of Equitable Gas Company, LLC (Equitable or Company).

Act 11 sets forth seven required elements which utilities filing for a DSIC must include in their LTIIPs. One of the elements is the manner in which the replacement of aging infrastructure will be accelerated.[1] The Commission's Final Implementation Order directed utilities to maintain acceleration of infrastructure replacement. Utilities that have already taken substantial steps toward increasing capital investment to address the issue of aging infrastructure should reflect in their LTIIPs how the DSIC will maintain or augment acceleration of infrastructure replacement and prudent capital investment.

Based on the information provided by Equitable, it is evident that Equitable has not recently taken substantial steps towards increasing capital spending in the past years, even in nominal terms. Overall capital spending has decreased from $45.8 million in 2008 to $28.9million in 2012, while DSIC eligible property capital spending has remained essentially flat in nominal terms. Regarding replacement of pipe, meters, and service lines, overall replacement has also been relatively flat over the 2008-2012 historical period.

Because it has not taken recent steps to increase capital investment, it is incumbent on Equitable to demonstrate an increase in acceleration of infrastructure replacement relative to historical activity in its LTIPP. Equitable has not met this criterion either. Comparing replacement rates for the 2008-2012 historical period to the 2013-2017 projected period, overall annual pipe replacement is projected to **decrease** from 25.4 miles per year to 19.9 miles per year,[2] while meter replacement

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[1] 66 Pa. C.S. § 1352(6).

[2] As Equitable completes small diameter cast iron replacement, it will reallocate budget funds to large diameter cast iron projects, which are generally located in more congested areas and is more costly to replace per mile. This accounts in some measure to the decrease in miles of pipeline replacement. However, the data provided by Equitable demonstrates that the real source of pipeline mileage reduction is an approximately 50% reduction in gathering line replacement rate. However, even under these conditions, capital spending should not also decrease.

rates are projected to be flat, and service line renewal and replacement rates are projected to increase 27%.

As to overall capital spending, it is forecasted to increase only 8% nominally, but actually <u>**decreases**</u> in real terms by approximately 5%.[3] Capital spending on DSIC eligible infrastructure replacement is projected to increase, on average, 24% in nominal terms, but merely 11% in real terms. Given the actual decrease in spending on overall capital investment in real terms, and the very minor increase in projected DSIC eligible property capital spending in real terms, Equitable's LTIIP should not be viewed as meeting the important criteria established by the Legislature and this Commission to accelerate infrastructure replacement investment. In essence, it appears that we may be granting approval of this LTIIP in an effort to assuage Equitable not to decrease capital spending in the face of their pending sale of the company. This justification does not comport with our statutory obligations.

July 16, 2013
Date

James H. Cawley
James H. Cawley, Commissioner

Wayne E. Gardner
Wayne E. Gardner, Commissioner

[3] Assumes an inflation adjusted rate of 2.5% per year.